

Capital Improvement Plan Workbook

The following workbook was developed as a handout to be distributed to the Capital Improvement Plan work team. It includes:

- **Capital Improvement Plan - Overview**
 - Definition
 - Purpose
 - Advantages
 - Steps in the Capital Improvement Plan
 - Conclusions

- **Work Sheet 1**
 - Checklist of the tasks to be completed for each of the 11 steps of the Capital Improvement Plan

- **Work Sheet 2**
 - Commonly Used Capital Project Evaluation Criteria

- **Work Sheet 3**
 - Inventory of Public Facilities

Capital Improvement Plan - Overview

Definition:

A capital improvement plan (CIP) is a multi-year plan identifying capital projects to be funded during the planning period. The CIP identifies each proposed capital project to be undertaken, the year the assets will be acquired or the project started, the amount of funds expected to be expended in each year of the CIP and the means of funding the expenditures.

A CIP is not a static document. It should be reviewed every year to reflect changing priorities, unexpected events and opportunities. The CIP should include the maintenance, repair and rehabilitation of existing infrastructure as well as the construction of new infrastructure.

Purpose:

The basic function of a CIP is to provide a formal mechanism for decision making, a link to long range plans, a financial management tool and a reporting document.

Advantages:

The major advantages of a CIP are:

- 1 Focuses attention on community goals, needs and financial capability.
- 2 Builds public consensus for projects and improves community awareness.
- 3 Improves inter-/intra governmental cooperation and communication.
- 4 Ensure efficient use of resources.
- 5 Promotes financial stability through:
 - a) infrastructure maintenance
 - b) long term planning of resources and needs
 - c) details impact of capital funding on operating budgets, debt servicing

Limitations to a CIP process exist. Some limitations are the implementation of a CIP requires additional time by administrative and elected officials for preparing, reviewing and revising the CIP and budget on an annual basis. It is important to recognize that the role of the CIP is not to discourage development. Development may still occur in areas where site conditions and development controls permit on-site sewer and water systems or where key support facilities and urban services exist. However the benefits of performing a CIP far outweigh any limitations to the process.

Steps in the Capital Improvement Process:

The general outlines of the CIP will not vary significantly from one municipal unit to another. The major difference will be the amount of detail contained in an individual municipal unit's CIP. The amount of detail that is contained in a CIP is a factor of the size of the municipal unit, its organizational structure, fiscal condition and rate of growth. When preparing a CIP each municipal unit must take into account its specific needs.

The steps that each municipal unit follow when implementing a CIP are the same. The design of a CIP follows eleven basic steps:

1. Establish the administrative structure.
2. Establish the policy framework for the CIP.
3. Formulate evaluation criteria to determine capital spending levels and to guide capital project selection.
4. Prepare a capital needs assessment.
5. Determine the status of previously approved projects and identify new projects.
6. Assess the financial capacity of the municipal unit to undertake new capital projects.
7. Evaluate funding options.
8. Compile, evaluate and rank project requests and undertake financial programming.
9. Adopt a capital program and capital budget.
10. Implement and Monitor the Capital Budget and Projects.
11. Evaluate the CIP Process.

Conclusion:

Capital improvement planning is a valuable tool to ensure that choices are made wisely. Every community-whether it is experiencing growth, decline or stability-needs to budget for capital items to maintain the current asset base and to meet future needs. The CIP enables decision makers to make the correct long term decisions that benefit the community as a whole both from a financial perspective and a service delivery/quality of life perspective.

Work Sheet 1 Checklist - Steps in the CIP Process

- 1 Establish the administrative structure.**
 - appoint a coordinating unit or individual
 - distinguish between capital and operating expenditures
 - determine number of years in CIP
 - prepare calendar of key events
 - formulate procedures for citizen input

- 2 Establish the policy framework.**
 - develop programmatic policies
 - develop financial policies

- 3 Develop capital project evaluation criteria. (see worksheet 2)**

- 4 Prepare capital needs assessment. (see worksheet 3)**
 - prepare capital inventory
 - evaluate whether to repair or replace facilities

- 5 Identify projects for capital program.**
 - review status of previously approved projects
 - identify and develop information for new projects
 - examine capital project alternatives
 - complete and submit project request forms

- 6 Undertake financial capacity analysis.**
 - evaluate financial conditions
 - assess likelihood past trends will continue

- 7 Evaluate funding options.**

- 8 Evaluate and program capital projects.**
 - review project applications
 - prioritize capital projects
 - select projects, schedules and assign a funding source

- 9 Adopt capital program and budget.**
 - prepare CIP document
 - submit preliminary CIP to legislative body
 - engage in formal public hearings
 - revise CIP and send to legislative body for adoption

- 10 Implement and monitor capital budget.**
 - assign a project manager
 - refine project milestones and cost schedules
 - prepare progress reports, review and take action as needed
 - monitor external environment

- 11 Evaluate CIP process.**
 - consider organizational/process issues
 - review forms and documents
 - examine financial assumptions and funding sources

Worksheet 2 Commonly Used Capital Project Evaluation Criteria

Consideration	Questions to Ask	Comments
Legal Mandates	Is the project needed to met provincial or federal regulations?	
Fiscal and Budget Impacts	What is the total capital cost? Impact on operating budget? Impact on tax base, tax rate and user fees? Is there any senior government funding available?	
Health and Safety Impacts	Will the project improve the health and/or safety of the residents in a measurable way?	
Environmental, Aesthetic and Social Effects	Does the project reduce pollution levels? Improve the appearance of neighbourhoods? Ensure community values are achieved?	
Economic Development Impacts	Does the project promote the economic vitality of the community (job creation or business development)?	
Project Feasibility	Does the project demonstrate that it can be implemented as planned? Is the timing, phasing and proposed funding reasonable? Is there public support for the project?	
Distributional Effects	Who benefits from the proposed projects? Is the distribution of projects balanced?	
Disruption/Inconvenience	How much disruption or inconvenience is caused by the project?	
Impact of Deferral	What are the implications of deferring the project?	
Uncertainty of Risk	What degree of risk or uncertainty is inherent in acquiring the facility (demand, obsolescence)?	
Inter-municipal Effects	What are the effects on inter-municipal relationships? Is there an opportunity for inter-municipal cooperation?	
Relationship to Other Projects	Are there advantages from this project accruing to other projects?	

These are examples of commonly used criteria that can be used to evaluate project. Each municipal unit can develop their own criteria to met their needs. Once the criteria have been established it is important that they are ranked or weighted so that projects may be prioritized.

Worksheet 3 Inventory of Public Facilities

General Information:

Type of Facility: _____

Unit of Capacity: _____

CIP Time Frame: _____

Name of Facility				
Location				
Service Area				
Facility Capacity				
Needs Work?				
Type of Improvement				
Estimated Cost				
Year Needed (in CIP time frame)				